

USAID/General Notice

INFORMATION

M/MPI/MIC

09/12/96

SUBJECT: THE AUDIT BRIEF

Attached is the Audit Brief for the third quarter of FY 1996. It includes summaries of all Office of Inspector General (OIG) audits issued during the quarter, and GAO reviews that address USAID activities or for which USAID staff served as a source of information.

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Notice 918

# ***THE AUDIT BRIEF***

Summary of Recent IG Audits and GAO Reviews

**July 1996**

**Brief No. 11**

The purpose of the Audit Brief is to inform USAID staff of findings and recommendations from performance audits conducted by USAID's Office of the Inspector General (OIG) and reviews performed by the General Accounting Office (GAO). This issue summarizes the audits and reviews issued during the 3rd quarter of FY 1996.

## **Audit of USAID/Kenya's Population Activities**

The audit was performed to answer the following questions: (1) What progress has USAID/Kenya made towards achieving its strategic objectives for population? and (2) Has USAID/Kenya progressed towards output targets for population activities as intended in its project papers?

The auditors found that USAID/Kenya made significant progress toward achieving its strategic objective for population as determined by a comparison of planned versus reported progress. The country's total fertility rate, which was once the highest in the world, but now the lowest in sub-Saharan Africa, has seen a significant drop since the 1984 baseline year from 7.7 children per woman to an estimated 4.9 in 1995.

USAID/Kenya's overall population program contributed to the reduction of Kenya's total fertility rate by funding the following and

other activities over the past several years:  
(1) development of a contraceptive distribution system with a central Nairobi warehouse

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supplying a network of regional and district  
warehouses, which in turn distribute  
contraceptives to local  
hospitals and clinics;  
(2) establishment of voluntary surgical sites;  
(3) dissemination of family planning  
information through both radio and print  
media; and (4) training of community-based  
contraceptive distributors tasked with  
providing family planning information and  
contraceptives on a local basis.

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USAID/Kenya, realizing that unbridled  
population growth would be a major  
constraint to sustained and broad-based  
economic growth in Kenya, developed  
projects to address the problem. Two of the  
projects the Mission developed and nurtured  
included the Family Planning Services and  
Support Project and the Private Sector  
Family Planning Project. Under the Family  
Planning Services and Support Project, the  
mission sought to lower the country's  
population growth rate by

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enhancing the opportunity for individuals and couples to choose the number and spacing of their children. The purpose of the project was to increase user rates of high-quality family planning

methods. The project expired August 1995. The goal of the Private Sector Family Planning Project is to reduce fertility and the population growth rate by increasing the availability, use, and sustainability of family planning services in the private sector. The project was broken into two phases: Phase I started in September 1983 and terminated in December 1991; and Phase II began December 1991 with an authorized completion date of October 30, 1998.

USAID/Kenya has made excellent progress towards output targets for the population activities of the two projects reviewed, and in some cases, exceeded its planned targets according to a comparison of planned versus reported progress. With the exception of one output, the mission did not establish interim targets or benchmarks to measure progress of the Private Sector Family Planning II Project. The auditors also found that improvements are needed in the contraceptive supply delivery system and inventory controls. The report recommends that USAID/Kenya: (1) develop a plan that leads to establishing interim targets for the Private Sector Family Planning II Project through the Project's authorized completion date of October 30, 1998; (2) work with the Government of Kenya and other donors to develop and implement a plan to solve the transportation problems impeding delivery of contraceptive commodities from district stores to the clinics; (3) assess operational needs for improving regional warehouses and district store management, inventory control practices, and record keeping and assist in implementing improvements; (4) ensure that regional warehouses are fully incorporated into the Logistics Management System, including clearly defining their role, to prevent overstocking of regional warehouses and non-utilization by the district stores; and (5) bring to the attention of

the Kenyan Health/Population Donors Forum complaints concerning the adequacy of pre-packaged essential pharmaceutical

supplies and physical examination (family planning) equipment, and request Forum members to investigate the complaints and

review current availability and distribution of the kits. The Mission concurred with all recommendations.

**Rpt. No. 3-615-96-006, dtd. 5/31/96**

### **Audit of USAID/Egypt's Payment Process**

The OIG audit of USAID/Egypt's payment process was to determine whether payments were in accordance with the terms of the obligating documents, applicable laws and regulations, and USAID policies and procedures.

Although different rules apply to different types of payments, the primary steps in the payment process are as follows: (1) an invoice or voucher is received in the Mission's Financial Management (FM) Directorate and logged into the accounting system; and at the same time, FM establishes the payment due date; (2) an official with personal knowledge of the goods or services covered by the voucher administratively approves the voucher; (3) FM's voucher examiners verify that the voucher is in compliance with the terms of the relevant contract or agreement, that the voucher is mathematically correct, and that funds are available to make the payment; (4) a scheduling clerk prepares a list of payments to be made, attaches the relevant vouchers, and provides this package to a certifying officer in FM; (5) the certifying officer reviews the list of payments to be made and certifies that the listed vouchers are correct and proper for payment; (6) the list of payments is sent electronically to a U.S. State Department or U.S. Treasury Department disbursing office, where checks are issued or electronic fund transfers are made to payees' bank accounts; and (7) the payments are recorded in the accounting system and reconciled with reports from the disbursing offices.

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The auditors concluded that USAID/Egypt generally made sure that payments were charged to the correct appropriations and that funds were available before payments were made. Improvements were needed to ensure that all payments are in full compliance with the terms of the obligating documents, applicable laws and regulations, and USAID policies and procedures.

provisions of the cash transfer agreement and USAID policies and procedures? (2) Did

The report recommends that USAID/Egypt: (1) communicate to staff their revised responsibilities for providing administrative approval of payments; (2) establish a written policy on payment due dates and implement a quality control system that provides reasonable assurance that the policy is followed consistently; (3) implement a system to calculate and pay interest penalties as required by the Prompt Payment Act and prepare accurate reports on compliance with the Act; (4) implement a strengthened system of supervision and quality control to provide better assurance that payments are in accordance with the terms of contracts and agreements; (5) implement controls to limit access to electronic payment files; and (6) implement a system to provide reasonable assurance that check numbers and dates are recorded in the accounting system.

The Mission concurred with and has implemented all the recommendations. In comments to the draft report the mission stated that, on balance, it believed the report findings reflected a sound payment process and that the identified areas where payment procedures could be strengthened did not represent material weaknesses.

**Rpt. No.6-263-96-008, dtd. 5/29/96**

### **Audit of USAID/Niger Cash Transfers**

OIG's audit of USAID/Niger Cash Transfers was designed to answer the following questions: (1) Did USAID/Niger ensure that release, deposit, use and audit of cash transfer dollars were in compliance with the

USAID/Niger monitor whether local currency was deposited, programmed, and used to achieve the intended results in accordance with agency guidelines and with the cash transfer agreements? (3) Did USAID/Niger monitor and evaluate the cash transfer programs to ensure that the host country implemented the stabilization and policy reforms in accordance with the cash transfer agreements?

After the close of audit fieldwork on January 27, 1996, there was a Coup d'Etat in Niger overthrowing its democratically elected government. Under Section 508 of the 1994 Foreign Assistance Appropriation Act, USAID/Niger is required to draft a plan for orderly wind-up of USAID programs and projects in Niger. Neither the timeframe for the wind-up of USAID/Niger operations nor its effect on the implementation of the audit recommendations had been determined when the audit report was issued.

Cash transfers are cash grants to foreign governments. The receipt of these grants is usually conditioned upon the government undertaking certain agreed upon policy reforms. These reforms usually call for changes in economic policies, administrative practices, or the legal/tax framework of the host government.

USAID's program of development in Niger was focused on three strategic objective areas. These areas were population and health, economic reforms and microenterprise, and natural resources management. In addition, the mission had a target of necessity which was disaster preparedness and humanitarian assistance. USAID/Niger had four cash transfer programs totaling \$63.4 million in the following areas: (1) Population and Health: The Niger Health Sector Support Grant (NHSSG); (2) Economic Reforms and Micro-Enterprise: The Niger Economic Policy Reform Program (NEPRP); (3) Natural Resources Management: The Agricultural Sector Development Grant II (ASDG II); and (4) Target of Necessity:

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Preparedness and Humanitarian Assistance  
Disaster Preparedness and Mitigation  
(DPM).

The auditors found that USAID/Niger had ensured that the release and deposit of the cash transfer dollars were in compliance with the provisions of the cash transfer agreement and USAID policies and procedures. The mission had also ensured that the U.S. dollars funds were withdrawn for the payment of Nigerien Government debt based on implementation letters authorized jointly by USAID/Niger and the Ministry of Finance. However, the required audits of the deposit and uses of these U.S.-dollar funds had not been conducted.

USAID/Niger took monitoring actions to ensure that the local currencies generated from its cash transfer programs were deposited and programmed to achieve the intended program results in accordance with agency guidelines and with the cash transfer agreements. The mission also ensured that these local currencies were withdrawn for agreed-upon purposes based on implementation letters authorized jointly by USAID/Niger and the Ministry of Finance. The auditors found that the required audits of the local currency separate accounts and the host government recipients of the local currency had not been conducted. Further, a general assessment of the host government had not been performed.

The mission monitored and evaluated all four of its cash transfer programs to ensure that the host country implemented the respective stabilization and policy reforms in accordance with the cash transfer agreements. The audit indicated that USAID/Niger may not be able to assess the

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long-term impact of NEPRP due to a lack of sufficient and reliable data. However, under each of USAID/Niger's four cash transfer programs, a site visit was conducted and a dialogue maintained with its host government partners to ensure the attainment of program stabilization and policy reform goals. In addition, USAID/Niger contracted outside evaluation



teams as needed to gain an independent judgement on the level of implementation of reforms achieved. The mission then acted upon evaluation recommendations to obtain the intended program results.

The report recommends that USAID/Niger: (1) ensure that financial audits are conducted of the local currency and U.S. dollar disbursements, local currency separate accounts, and the usage of these funds for the Agricultural Sector Support Grant II (fiscal years 1991-95), Disaster Preparedness and Mitigation (fiscal years 1993-95), Niger Economic Policy Reform Program (fiscal years 1991-95), and the Niger Health Sector Support Grant (fiscal years 1991-95); (2) perform (or contract for) a general assessment of the financial and administrative management capability of the Nigerien Government; (3) ensure that a mission audit inventory and audit plan are produced by March 31, 1996, or report the lack of an audit inventory and audit plan as a material internal control weakness in its next Federal Managers' Financial Integrity Act report; and (4) ensure that proper mechanisms are in place to measure the impact of the Niger Economic Policy Reform Program.

The Mission fully agreed with recommendations 1, 3 and 4 and have taken actions to implement them. However, the Mission disagreed with recommendation 2 for the following reasons: (1) due to the January 1996 Coup d'Etat, the Nigerian Government was new and it would be too early to perform an assessment of its administrative and financial management capability; and (2) the current reengineering efforts within USAID should provide the individual Missions greater latitude in determining when the required general assessments are warranted.

The recommendations remained unresolved because OIG's position was that (1) the January 1996 change in government increased rather than diminished the need for a general assessment of the Government of Niger and (2) the current guidance on local currency is explicit -- no

latitude is given to the mission on determining when this guidance is to be applied.

**Rpt. No.7-683-96-005, dtd. 5/31/96**

### **Audits of Missions Management of Operating Expenses**

The OIG is conducting a worldwide audit to determine if USAID effectively manages funds available for operating expenses. In support of this objective, audits were conducted at USAID'S Poland, Costa Rica, Morocco, and Kiev during the quarter. Federal Law and USAID procedures require that unliquidated obligations be reviewed periodically to identify funds which need to be deobligated. This review process is often referred to as a "Section 1311" review. The policy requires that the steps taken during the "Section 1311" reviews be documented to verify the validity of obligations and deobligation actions.

The auditors found that OAR/Poland was performing reviews of unliquidated operating expense obligations in accordance with USAID policy and procedures. Document-ation revealed that reviews of unliquidated operating expense obligations were performed several times during the fiscal year. The total amount of unliquidated obligations was relatively small when compared to the total amounts obligated. OAR/Poland's total unliquidated balance amounted to just over six percent of obligations for fiscal years 1992 through 1995; and when fiscal year 1995 is excluded, the amount falls to three percent of total obligations.

years. The controller's staff used this "reserve" to avoid having to request an upward adjustment of funding authority from USAID/ Washington whenever a necessary disbursement exceeded the amount deobligated in prior years. However, the auditors questioned whether this procedure is authorized by law or regulation, and felt that

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OAR/Poland also maintained a "reserve" of unliquidated obligations that was created from excess funds deobligated from prior

its use may circumvent established internal controls.

when expenditures were incorrectly charged to fiscal year

The report recommends that OAR/Poland obtain appropriate guidance from USAID's Office of Financial Management on the retention and use of "reserves" of \$105,232 in unliquidated obligations under miscellaneous obligations; and review the potential deobligation of \$8,738 identified by the audit and either justify retention of the unliquidated amount in the 1311 review working papers or deobligate the funds.

The Mission concurred with and has implemented both recommendations.

**Rpt. No. B-181-96-002, dtd. 5/24/96**

The audit at USAID/Costa Rica examined two areas: (1) the extent to which the mission used alternative sources of funding operating expenses, and (2) whether unliquidated dollar obligations from the operating expense appropriation at September 30, 1995 were still needed.

The auditors found that USAID/Costa Rica has done an excellent job of using alternative sources of funding, specifically local currency trust funds, to reduce its requirements for appropriated dollar funds. USAID/Costa Rica generally followed procedures for reviewing the operating expense unliquidated obligations for U.S. dollar funds for fiscal year 1995. The Mission specifically: (1) carried out continuous reviews of operating expense obligations throughout the year, performed a more intensive review in the fourth quarter of this fiscal year, and performed a final review of unliquidated obligations at the end of fiscal year; (2) certified that year-end obligations were valid; and (3) deobligated funds found to be no longer necessary. The auditors found that \$8,523 in unliquidated obligations were no longer needed for the purposes which the funds were originally obligated. Additionally, \$8,922 of fiscal year 1994 unliquidated obligations were not liquidated

1995 unliquidated obligations. The auditors noted that the funds were not identified because insufficient information had been provided to the mission on certain freight charges and the analysis supporting the year-end certification was not as thorough as required. As a result of actions taken, and the fact that the Mission was scheduled to close in fiscal year 1996, the report made no recommendations.

**Rpt. No. 1-515-96-001, dtd. 4/17/96**

The audit of USAID/Morocco determined that the mission effectively managed its unliquidated operating expense obligations and did not maintain excess or unnecessary levels of operating expense funds. The auditors found that at the time of the review in February, 1996, only \$722 was found without valid purposes, and accordingly there were no recommendations made.

The auditors reviewed 103 unliquidated obligations totalling \$248,923 that appeared on USAID/Morocco's accounting records as of September 30, 1995. Seven of these obligations pertained to FY 1994 and the other 96 to FY 1995. All but one of these items had either been deobligated or expended at the time of the review or continued to remain as valid unliquidated items.

The auditors also found that the mission took aggressive actions to implement USAID policy, and to identify alternative sources and levels of funds to augment scarce operating expense funds.

USAID/Morocco: (1) obtained the agreement of Government of Morocco officials to provide local currency trust funds to help operate the mission as an outflow of the Private Sector Assistance Agreement; (2)

obtained more than \$333,700 in OE funding from the Regional Housing and Urban Development Office/Morocco (RHUDO/Morocco) occupying a portion of the office space at the USAID/Morocco mission; and (3) funded the salaries, benefits, and support costs of four employees at the mission from associated program

funds.

**Rpt. No. 7-608-96-004, dtd. 5/06/96**

The audit of USAID/Kiev found that the Mission did not perform reviews of its unliquidated operating expense obligations as required by USAID policy and procedures until September 1995. The audit noted that USAID/Kiev's procedures for reviewing unliquidated obligations was in need of improvement; and because of the difficulty in determining when all payments for freight transactions had been reported, the Mission was not reviewing obligations involving freight transactions.

The report recommends USAID/Kiev: (1) review the auditor's analysis and deobligate and return \$96,835 to USAID/Washington; (2) review the remaining unliquidated operating expense obligations which were not audited and deobligate and return to USAID/Washington any excess funds; and (3) conduct a study on completed freight transactions to (a) determine the length of time needed for freight transactions to be completed, and the number of incidental service transactions; and (b) apply the results of this study to unliquidated freight obligations and deobligate those which appear to be completed. The Mission agreed with and is implementing both recommendations.

**Rpt. No. 8-121-96-007, dtd. 6/10/96**

### **Audits of USAID's Financial Statements**

The OIG conducted audits of four USAID financial statements as required by the Chief Financial Officer's Act (CFO) of 1990. The objectives of the audits were to: (1) express an opinion on whether the financial statements were fairly presented; (2) consider the internal control structure; and (3) test for compliance with applicable laws and regulations. In support of the CFO requirement and the objectives, audits were performed during the quarter for the years ending September 30, 1995 and 1994 of USAID's: (1) Property Management Fund; (2) Israeli Loan Guarantee

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Program; (3) Foreign Service National Separation Pay Trust Fund; and (4) Miscellaneous U.S. Dollar Trust Funds.

The Property Management Fund (Fund) is a revolving fund used to finance acquisition of real property overseas and to deposit proceeds of sales of similar properties. The fund is only to be used to acquire outside the U.S.: (1) essential living quarters, office space, and necessary supporting facilities for use of personnel carrying out activities authorized by Section 636(c) of the Foreign Assistance Act (the Act) of 1961; and (2) schools (including dormitories and boarding facilities) and hospitals for use of personnel carrying out activities authorized by the Act, U.S. Government personnel, and their dependents.

The audit of the Fund concluded that the financial statements were presented fairly and that, for the items tested, USAID complied with the applicable laws and regulations. There were no matters noted involving the internal control structure and its operation that would be considered a material weakness. There were no recommendations.

**Rpt. No. 0-000-96-010, dtd. 4/01/96**

The Israeli Loan Guarantee Program (the Program) was enacted on October 6, 1992, to assist Israel's absorption and resettlement of immigrants from the former Soviet Union, Ethiopia and other countries. USAID provides, on behalf of the United States, a guarantee of payment of principal and interest for U.S. dollar loans totaling up to \$10 billion in principal. The President authorizes guarantees on up to \$2 billion in loans annually during the period October 1,

1992 through September 30, 1997 based on policy considerations and subject to the Program Agreement, dated January 5, 1993. The Program is administered by the Bureau for Global Program's Office of Environment and Urban Programs under policy guidance of the Asia and Near East Bureau, and USAID's Loan Management Division of the Office of

Financial Management maintains the Program's accounts. In addition, OMB and State have policy roles in Program management.

accrued FSN separation pay; and

The audit of the Program determined that the financial statements presented fairly the financial position and results of operations of the Program for fiscal years 1995 and 1994. There were no matters noted involving the internal control structure and its operation, and the tests for compliance with the provisions of laws and regulations disclosed no instances of noncompliance. No recommendations were made.

**Rpt. No. 0-000-96-011, dtd. 4/01/96**

The purpose of the Foreign Service National Separation Pay Trust Fund (Trust Fund) is to fund and account for separation payments for eligible foreign service national (FSN) employees (direct hire and PSC's) who voluntarily terminate employment. It is applicable only in those countries that require a lump-sum voluntary separation payment based on years of service and rate of pay at time of separation. In accordance with U.S. Treasury regulations, a Foreign Service National Separation Pay Trust Fund was established for the USAID. The USAID policy was written to require only obligation and deposit of funds to the Trust Fund for current obligations recorded after fiscal year 1991. Prior to fiscal year 1992, USAID did not recognize liabilities for accrued separation pay and there were no obligated balances to transfer since USAID did not record obligations for separation pay until payment was due.

The audit found that: (1) the fiscal year 1995 financial statements present fairly the financial position of the Trust Fund as of September 30, 1995; (2) the testing of internal controls related to the Trust Fund did not identify weaknesses in their design or operation; (3) the Trust Fund is not in compliance with its authorizing legislation because USAID has not fully funded its liabilities for

(4) the performance measures established for the Trust Fund should be simplified to be more useful.

The noncompliance was the subject of a recommendation in the fiscal year 1993 audit report (Audit Report No. 0-000-94-06). This audit did not include a new recommendation because management advised the auditors of planned actions in response to the past recommendations and has made substantial progress towards funding its accrued separation pay liability for FSN employees. There was no formal recommendation made regarding performance measures and the OIG plans to work with Management to achieve useful measures.

**Rpt. No. 0-000-96-012, dtd. 4/01/96**

The Miscellaneous U.S. Dollar Trust Fund comprises the activity of two separate trust funds: (1) the U.S. Dollar Advances from Foreign Governments Trust Fund and (2) the Gifts and Donations Trust Fund. The first fund records expenditures against receipts held in trust where USAID acts in a fiduciary capacity in carrying out specific programs in accordance with trust agreements. The second fund records the receipt of money, property and services of any kind made available by gift, devise, bequest or grant, and expenditures against these receipts in accordance with applicable agreements in furtherance of USAID's objectives. To fulfill the OIG's responsibility for auditing the financial statements, Deloitte and Touche, an independent certified public accounting firm, was contracted to perform the audit under oversight of the OIG.

opinion on the financial statements of the Miscellaneous U.S. Dollar Trust Fund for fiscal year 1995 because material account balances could not be independently confirmed and the auditors were unable to apply alternative procedures to verify these balances. Circumstances that precluded the application of necessary auditing procedures included political and legal situations in countries such as Nigeria, Vietnam, and Zaire and

Deloitte & Touche was unable to express an



the inability of host countries to readily  
identify which government unit was  
responsible for managing the Trust Funds.

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The auditor also noted an internal control matter relating to USAID's fiduciary role as recordkeeper for the Trust Fund. Specifically, USAID failed to verify with host countries the receipts, expenditures and balances of the trust funds. The auditors believe that such verification is not only a necessary control procedure, but is explicitly required by some trust fund agreements. The audit recommended that USAID'S CFO establish procedures to assure that receipts, expenditures and balances of the U.S. Dollar Advances from Foreign Governments Trust Fund are periodically verified with the participating host governments.

USAID/Management disagreed with the recommendation stating that it is inappropriate for auditors to recommend that the USAID Office of Financial Management assure that balances of the U.S. Dollar Trust Funds are periodically verified with the participating host governments where foreign policy states otherwise. Management also stated that USAID is responsible for accounting for deposits, disbursements and balances that agree with Treasury. The OIG continued to hold their view that USAID lacks a key internal control by not having procedures to periodically verify trust account activity with host governments.

**Rpt. No. 0-000-96-013, dtd. 4/01/96**

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For copies of these and other OIG audit reports, contact Elizabeth McFowler, IG/RM/IM, Room 1202, SA-16, (703) 875-4141.

# GAO REVIEWS

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## **American Institute for Free Labor Development (AIFLD) Funding and Programs**

This letter report responds to a Congressional request for information concerning the American Institute for Free Labor Development (AIFLD), one of four AFL-CIO regional institutes that support trade unions and workers' rights throughout the world. The report provides information on (1) the source and amount of AIFLD revenues; (2) AIFLD's internal controls and financial oversight of its projects by USAID; and (3) USAID evaluations of AIFLD programs, including what they indicate about the effective-ness of the programs and USAID's management of them and what USAID's and AIFLD's responses were to the evaluations.

GAO found that for fiscal years 1980 through 1994, AIFLD received about \$215 million, of which USAID provided about 87 percent, the National Endowment for Democracy (NED) provided about 10 percent, the private sector provided about 2 percent and the U.S. Information Agency provided the remainder.

The report indicated that reviews over the past five years by a public accounting firm, USAID's Office of Inspector General, and USAID's Office of Procurement have not identified any significant problems with AIFLD's internal controls.

USAID contracted for at least four external evaluations of AIFLD programs from 1991 through 1995 and conducted one in-house. These evaluations generally indicated that

AIFLD provided important support to democracy movements during the 1980s but that AIFLD needed to change the programs to reflect post-Cold War political conditions. They typically raised concerns about USAID and/or AIFLD management of AIFLD projects. USAID and AIFLD responded to the programmatic concerns raised in the evaluations by attempting to refocus AIFLD's projects, and USAID recently took steps to improve its management of AIFLD projects.

AIFLD and USAID's oral comments and technical suggestions to the draft report were incorporated where appropriate.

**GAO/NSIAD-94-142R, dtd. 4/30/96**

### **Telecommunications: Costs Reported by Federal Organizations for Fiscal Year 1995**

This report provided a comprehensive analysis of the cost of certain federal agency telecommunications services as required by Section 629(c) of Public Law 104-52, the Fiscal Year 1996 Treasury, Postal Service, and General Government Appropriations Act. GAO surveyed 42 executive branch departments and government agencies, including USAID, (hereinafter referred to as federal organizations) to identify total FY 1995 telecommunications costs in five categories: (1) FTS 2000 services; (2) non-FTS 2000 long distance services; (3) local telecommunications services; (4) wireless services; and (5) telecommunications support contract services.

GAO found that 41 of the 42 federal organizations surveyed responded that they spent approximately \$2.4 billion for telecommunications services in FY 1995. Telecommunications costs reported by the organizations included about \$761 million for FTS 2000 services, \$379 million for non-FTS 2000 long-distance services, \$700 million for local services, \$33 million for wireless services, and \$511 million for support

contract services. GAO also found that differences exist between the FTS 2000 costs reported by federal organizations and GSA.

Federal organizations use GSA's Purchase of Telecommunications and Services (POTS) contract to obtain telecommunication services. This GSA-managed contract allows federal organizations to purchase and install, maintain, repair, move, and relocate new and used telephone equipment. Government organizations obtain various types of telephone-related equipment and services through GSA's POTS contract. For FY 1995, GSA reported that government organizations spent a total of approximately \$41 million under the POTS contract.

**GAO/NSIAD-96-105, dtd. 6/17/96**

### **Concessions Contracting: Government-wide Rates of Return**

This report responded to a Congressional request that GAO determine: (1) the extent of concessions operations in the federal government; (2) the rate of return to the federal government from concessions operations and factors that affected the rate of return; (3) how the federal rate of return from concessions compared to rates earned by other governments; and (4) the extent of agencies' income-generating operations that were not concessions and whether they offered opportunities for the agencies to handle them as concessions.

GAO defined concessions as private or public entities using federally owned/leased property under a government contract, permit, license, or other similar agreements to provide recreation, food, or other services to either the general public or specific individuals. Concessions services included, but were not limited to, food operations, vending machines, retail shops, public pay telephones, barber/beauty shops, transportation, lodging, marinas and campgrounds.

Under concessions agreements with federal agencies, private parties and nonfederal public entities supply many of the services and accommodations provided on federal property to the public. Each agency is responsible for developing, implementing and monitoring its

concessions program to ensure that the federal government receives a fair return from the partnership. In exchange for use of federal property, concessioners pay the government a concessions, franchise, permit or license fee. Most agreements provide that the concessioner will pay the government either a flat fee or a percentage of gross revenues.

Of the 75 federal departments and agencies GAO surveyed, 27 reported having concessions agreements during FY 1994, including USAID. Forty-two respondents reported that they managed concessions programs.

The reported gross revenues from concessions were \$2.2 billion in FY 1994. GAO computed that the government earned a 3.6 percent rate of return on concessioners' gross revenues from agreements either initiated or extended in FY 1994. The analysis also showed a rate of return of 2.8 percent for the six land management agencies' concessions and 9.2 percent for nonland management agencies' concessions.  
**GAO/GGD-96-86, dtd. 4/29/96**

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